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November 3, 2009

Sarah C. "Sally" Harrell, MHA
Health Planning Analyst
S.C. Department of Health and Environmental Control
Health Facilities and Services Development
1777 St. Julian Place
Columbia, S C 29204

Re: *HCR ManorCare, Inc. - Notification of Issuance of New
Securities and Related Changes to Delaware Corporate Entities*

RECEIVED

NOV 03 2009

Dear Sally:

HEALTH LIC.

On behalf of HCR ManorCare, Inc. ("HCR"), I am writing to inform the Department about the proposed issuance by HCR of new securities and related changes (the "Transaction"), which will affect several corporate entities that are in the chain of title for certain healthcare facilities operating in South Carolina pursuant to Certificates of Need and Licenses issued by the Department (the "South Carolina Facilities") (See Exhibit "A"). The Transaction will affect only Delaware corporate entities which are three or more corporate levels above the South Carolina Facilities and, thus, no change in ownership or control under S.C.Code Ann. § 44-7-160(7) or Regulation 61-15, Section 102(1)(g) will occur. Further, please be advised that there will be no increase in depreciation, interest costs, lease costs or government reimbursement for the South Carolina Facilities as a result of the Transaction.

HCR, through various downstream subsidiaries, is a provider of short-term post-acute services and long-term skilled and intermediate nursing care. HCR provides care for patients and residents through a nationwide network of more than 500 skilled/intermediate nursing care and rehabilitation centers, assisted living facilities, outpatient rehabilitation clinics, and hospice and home care agencies. For purposes of this notification, HCR has seven downstream subsidiaries which operate healthcare facilities in this State. Those subsidiaries are set forth on Exhibit "A", attached hereto.

HCR is a private company, organized under the laws of the State of Delaware, all of whose shares are currently owned by limited partnerships managed by The Carlyle Group and by members of HCR's management. In the proposed Transaction, HCR will sell additional interests in HCR ManorCare, Inc. through public offerings and/or in one or more private placements of securities. In addition, HCR ManorCare, Inc. will undergo a name change to "HCR REIT, Inc.". HCR anticipates that the Transaction will become effective in the first quarter of 2010.

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As part of the Transaction, HCR will also elect to be taxed as a real estate investment trust or REIT. Additionally, HCR will create a new wholly owned subsidiary organized as a "taxable real estate investment trust subsidiary." That new entity, HCR Healthcare Operations, LLC ("HCR Ops") will become an entity in the chain of title for the South Carolina Facilities. The entity currently occupying that position in the chain of title, HCR Healthcare, LLC, will move up and out of the direct chain of title of the South Carolina Facilities to become directly owned by a newly created entity, which is also not in the chain of title for the South Carolina Facilities. The proposed Transaction described is graphically depicted on Exhibit "B", attached hereto.

As you can see from Exhibit "B", all of the proposed changes will occur at least three corporate levels above the limited liability companies that own and operate the South Carolina Facilities. Therefore, under Judge Kittrell's December 5, 2007 order in the *Three Rivers* case and the Department's policy referenced therein, no change in control or ownership will occur for purposes of applying S.C.Code Ann. § 44-7-160(7) or Regulation 61-15, Sections 102(1)(g), 104(l) and 604. (See Exhibit "C"). In other words, it is HCR's understanding based on the applicable law that the Transaction, as described herein, will have no impact on the South Carolina Facilities' licensure or operations from the standpoint of the Department's regulation of them and that no exemption or other determination is necessary in this case for the Transaction to proceed.

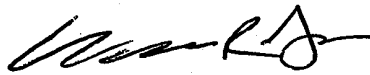
Further, HCR advises the Department that the Transaction will not affect the management or operation of the Facilities. In particular:

- As a result of the Transaction, there will be no changes to the delivery of care currently provided at the Facilities other than those expected in the normal course of business or as a prudent buyer of goods and services. Day-to-day patient care, staffing, operational policies and procedures, and available insurance coverage will remain unchanged;
- There will be no change in the licensees of the South Carolina Facilities as a result of the Transaction;
- The properties comprising the nursing home and assisted living facilities will continue to be owned as before the Transaction;
- There will be no increase in depreciation or interest cost to the facility or increase in government-sponsored reimbursement as a result of the Transaction; and,
- Lease costs will not be greater than depreciation and interest cost added together after the Transaction.

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Although no change in ownership or control will occur and although the Transaction will have no effect on the South Carolina Facilities, we are nevertheless providing this notice so that your records may be updated if necessary. Please do not hesitate to contact me if you have any questions or if you would like further information. Otherwise, unless you notify us to the contrary by Friday, November 13, 2009, we will assume no further action needs to be taken with respect to the Department and to the continued licensure and operation of the Facilities as a result of the Transaction.

Sincerely,



William R. Thomas

WRT:faf

cc: Nancy E. Maertens, Division Director
Health Licensing

The above information does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of any securities in any State in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

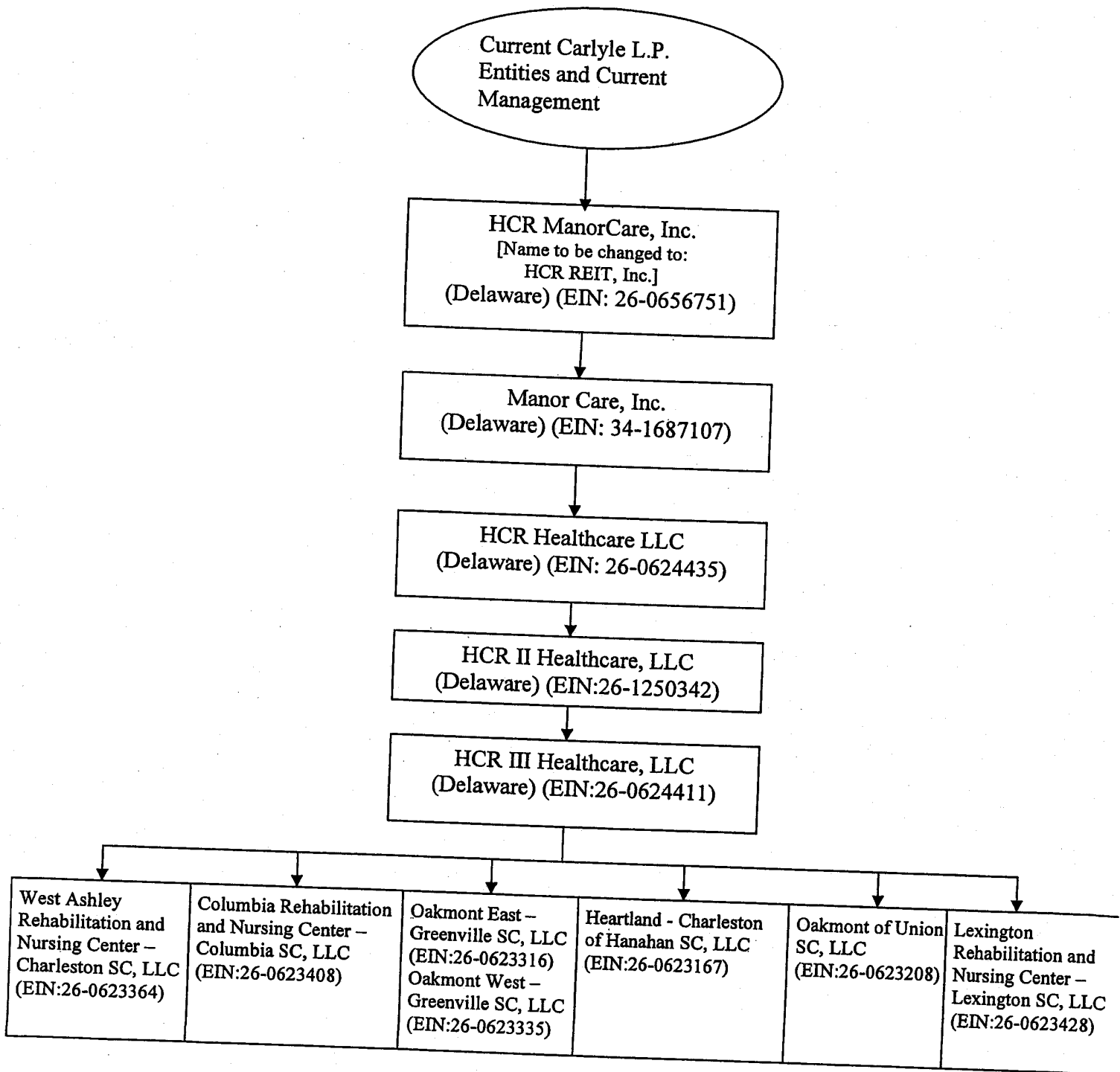
Exhibit “A”

South Carolina Facilities

1. West Ashley Rehabilitation and Nursing Center – Charleston, SC, LLC
(EIN: 26-0623364)
2. Columbia Rehabilitation and Nursing Center – Columbia, SC, LLC
(EIN: 26-0623408)
3. Oakmont East – Greenville, SC, LLC
(EIN: 26-0623316)
4. Oakmont West – Greenville, SC, LLC
(EIN: 26-0623335)
5. Heartland – Charleston of Hanahan SC, LLC
(EIN: 26-0623167)
6. Oakmont of Union SC, LLC
(EIN: 26-0623208)
7. Lexington Rehabilitation and Nursing Center – Lexington SC, LLC
(EIN: 26-0623428)

Exhibit “B”

South Carolina Pre-Transaction Organizational Chart



South Carolina Post-Transaction Organizational Chart
(Changes in Gray)

